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TOP SECRET

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CENTRAL INTELLIGENCE AGENCY

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SOVIET UNION

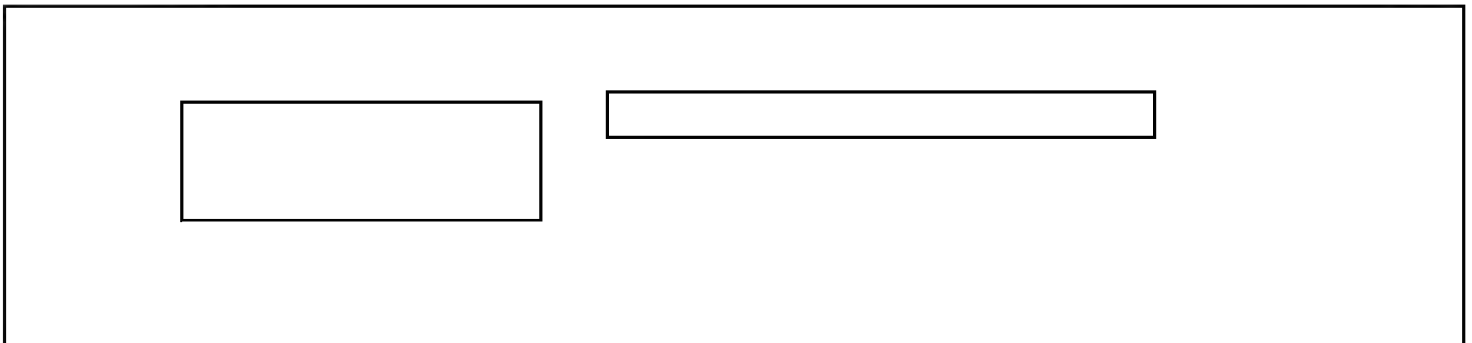
3. Comment on announced Soviet plan fulfillment for the first half of 1953:

The official announcement of Soviet plan fulfillment for the first half of 1953 reveals a continuing decline in the rate of economic growth. Industrial production reportedly increased 10 percent and labor productivity five percent in the first half of 1953 over the first half of 1952. Comparable official Soviet figures were 11 and eight percent in 1952 over 1951.

The announced results also show the present extent of the new Soviet government's effort to increase the availability of consumer goods. A 23 percent increase in sale of consumer goods was reported in the second quarter of 1953 over the second quarter of 1952. Moreover, the only change revealed in the 1953 plan was the additional allocation of 20 billion rubles for production and distribution of consumer goods.

Production results in this first 1953 announcement were reported on the basis of the new ministries as consolidated after Stalin's death, making comparisons with previous periods even more difficult than in the past.

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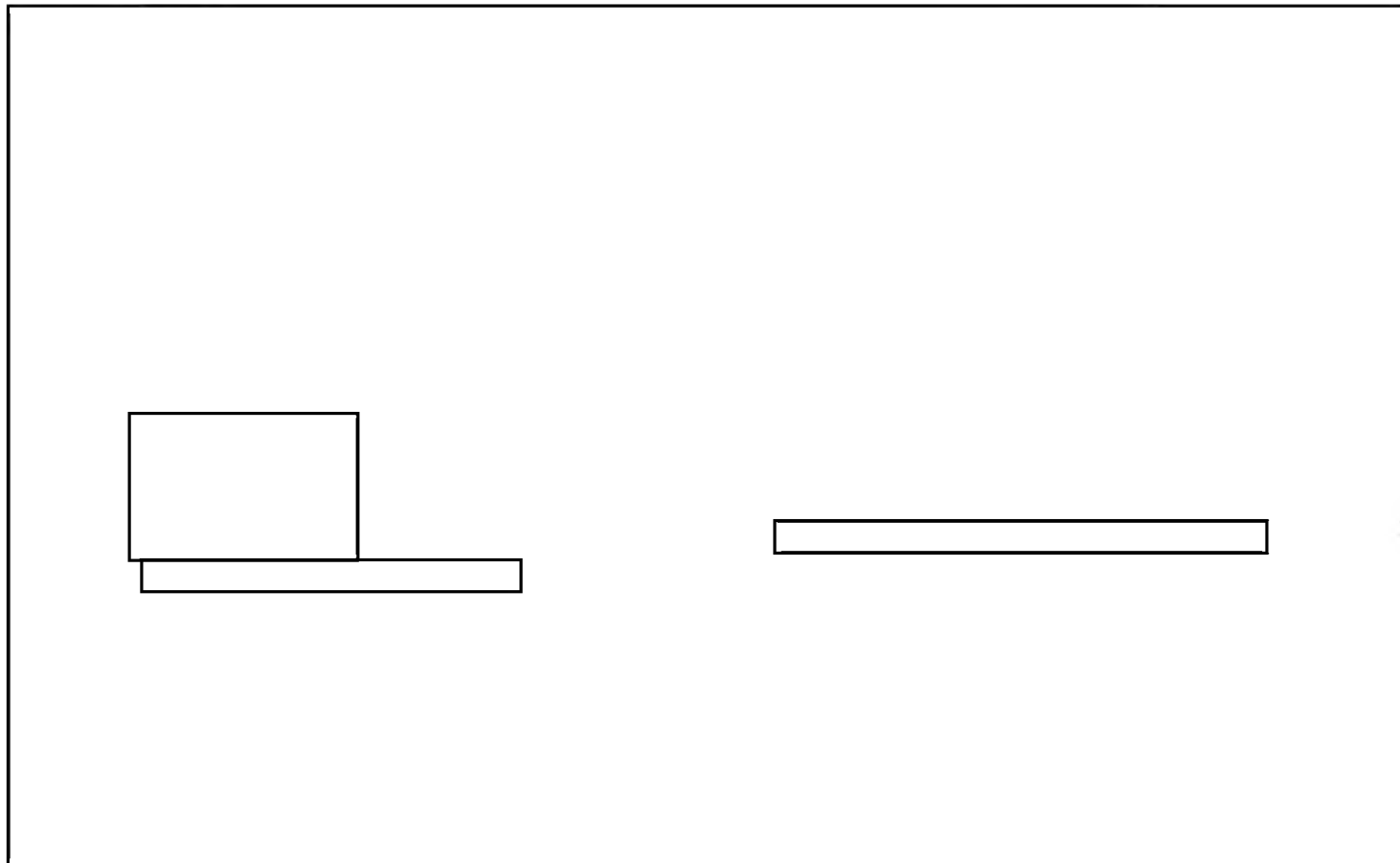


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7. Formosa-based airlines deny supplying Li Mi troops:

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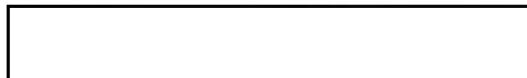
Both the CAT airline and Fooshing Airways of Formosa state that none of their PBY aircraft has been to Thailand within the last two months, according to the US embassy in Taipei.

Each company has two such planes, and all four are now on Formosa.

Comment: The American embassy in Rangoon reported on 14 July the Burmese government's suspicions that two unmarked PBY's then in Bangkok were being used to supply Chinese Nationalists in Burma, and that they belonged either to CAT or Fooshing Airways.

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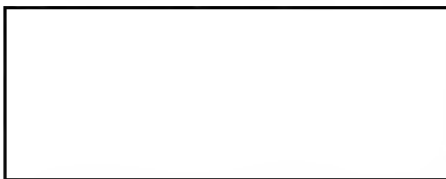
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SOUTH ASIA

8. Conditions in Kashmir reportedly deteriorating:

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Indian-held Kashmir is in political ferment and its economy in a perilous state, according to an American embassy official who recently visited Kashmir. Sheikh Abdullah, the Indian-supported prime minister, is in a precarious position politically because of popular dissatisfaction with his regime and dissension within his cabinet over the future allegiance of the state. The embassy officer states that Abdullah's personal relationship to Nehru is also unsatisfactory at present.

Comment: This first-hand report confirms previous indications of unsettled conditions, which can be expected to deteriorate unless there is a settlement of the Kashmir dispute.

NEAR EAST - AFRICA

9. Britain and Libya reach financial agreement:

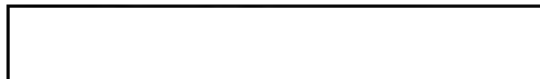
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The British Foreign Office and Libyan prime minister Muntasser on 16 July concluded a financial agreement, according to the British Foreign Office. Subject to the approval of the

king, cabinet, and parliament, Muntasser accepted the 2.5 million pounds sterling annual financial aid offered by Britain.

Comment: Despite this forward step, the treaty and annexes, which have been held up since last September, still face a formidable obstacle in obtaining the approval they need in Libya. Anti-British sentiment, particularly among government factions hostile to the prime minister, has been reported on the increase. This feeling has been abetted to a large extent by Egypt.




WESTERN EUROPE

10. USSR increases forces in Berlin:

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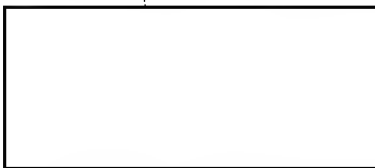
 on 16-17 July a strong Soviet armored force entered East Berlin. Reports of troop and vehicle movements indicate the presence in Berlin of the entire 7th Guards Mechanized Division, and it is possible that elements of another division are deployed to the east of the city. As many as 240 tanks are reportedly dispersed in various parts of the city. In the Pankow district, the residential area occupied by high government officials is being guarded by over 50 tanks.

Comment: Since the departure of the bulk of the Soviet troops from Berlin in late June and early July, elements of at least one Soviet division have remained in the city, with their tanks and vehicles concentrated in several areas. The 7th Guards Mechanized Division, however, was not one of those committed in Berlin after the 17 June riots.

It is possible that a show of strength is being made by the USSR to frighten East Berlin workers into abandoning their slow-down tactics. The precaution of guarding the Pankow residential area suggests that trouble is anticipated.

11. De Gasperi's new cabinet may face parliamentary defeat:

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Premier De Gasperi's new all-Christian Democratic cabinet faces an uncertain reception when it is submitted to parliament about 21 July, according to the American embassy in Rome. Some 35 of the 40 Monarchist deputies, annoyed by De Gasperi's anti-Monarchist views, reportedly will vote against him.

The embassy feels that De Gasperi has ignored the electoral trend to the left within his party by appointing more conservatives than were in his previous cabinet. The disproportionately large number of Catholic Action candidates named to the new compromise cabinet gives the lay democratic parties a good excuse to oppose the government on the clericalism issue.

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